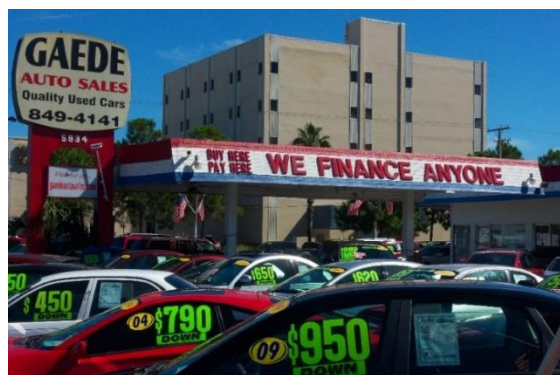


# AUTO LENDING: Market Trends

*Consumers' Declining Power In The Fintech Auto Loan Market*, 15 BROOK. J. CORP., FIN. & COM. L. \_\_ (2021)

<https://ssrn.com/abstract=3664136>



Professor Pamela Foohey

Benjamin N. Cardozo School of Law

4th Biennial Conference on Auto Lending, July 15, 2021

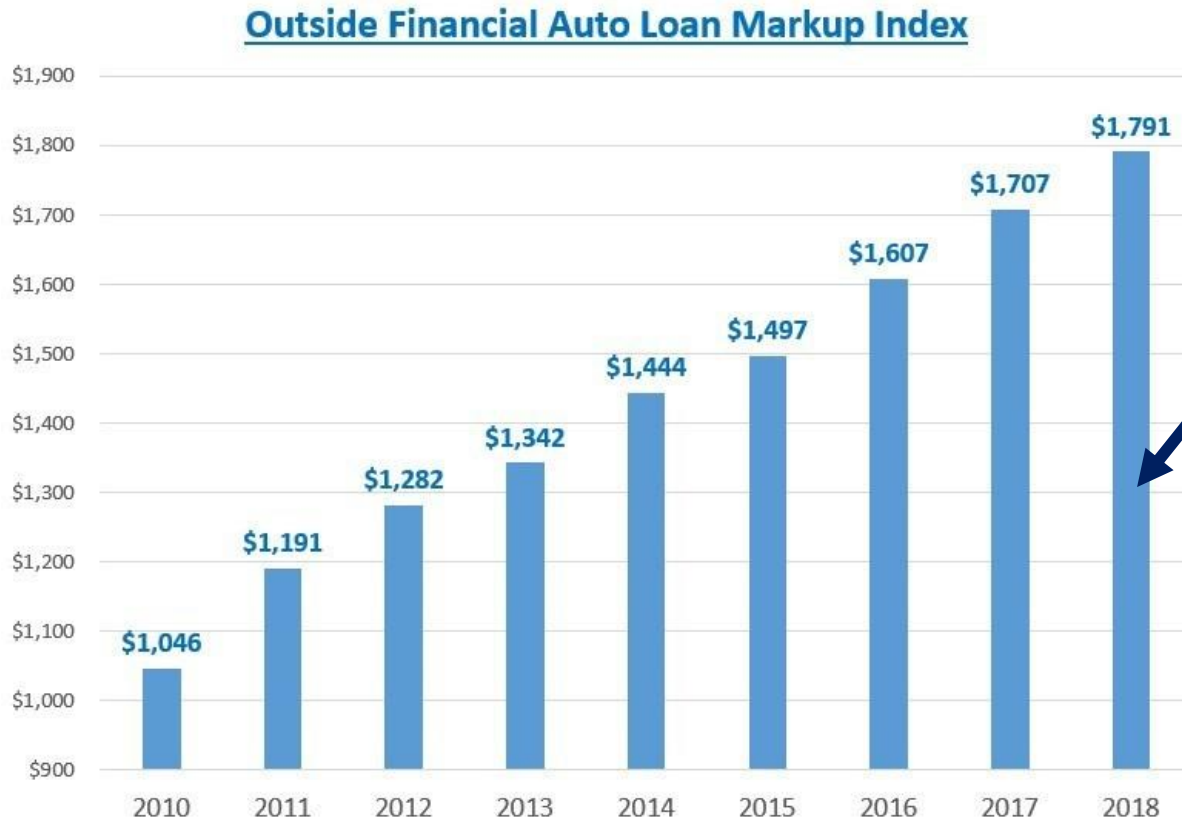
# Presentation Roadmap

- Auto lending
  - Increasing inter-twining with auto sellers
  - Cutting-edge auto loans
  - Increasing delinquencies and defaults
- Auto repossessions
- Bankruptcy filings
- What's next? Ideas for market interventions



# Intertwining of Sales and Loans

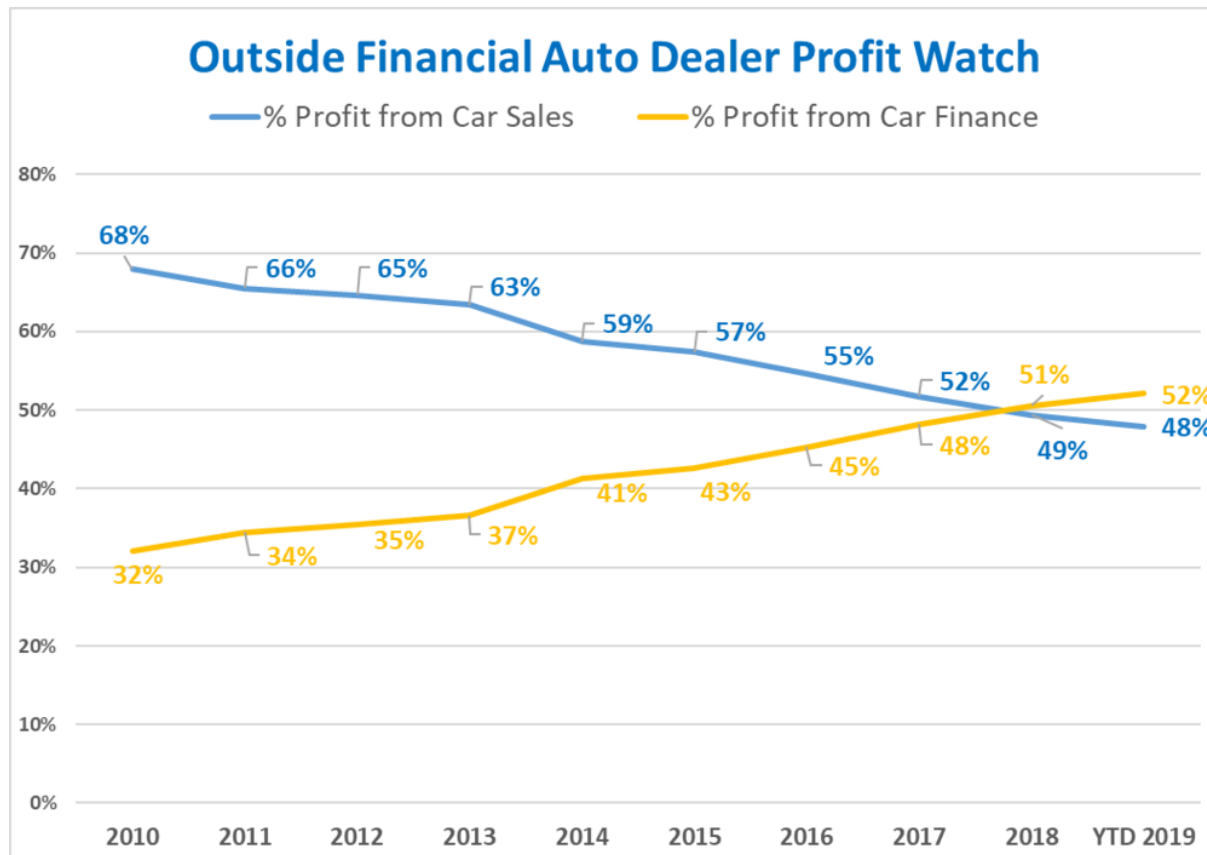
Most people (2/3rds) finance the purchase of cars with a loan; in 2018, auto loan originations reached an all-time high yearly total of \$584B.



**Amounted to over \$54B in extra financing charges**

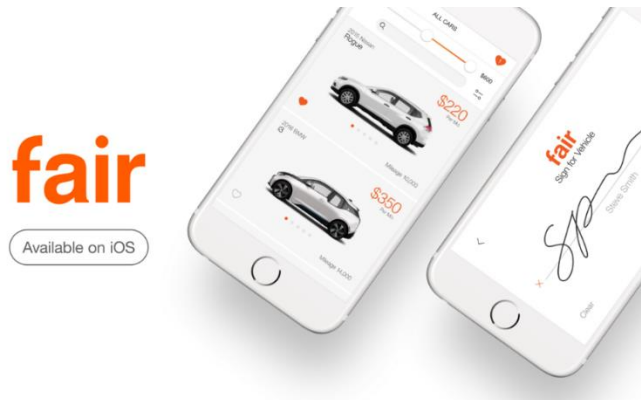
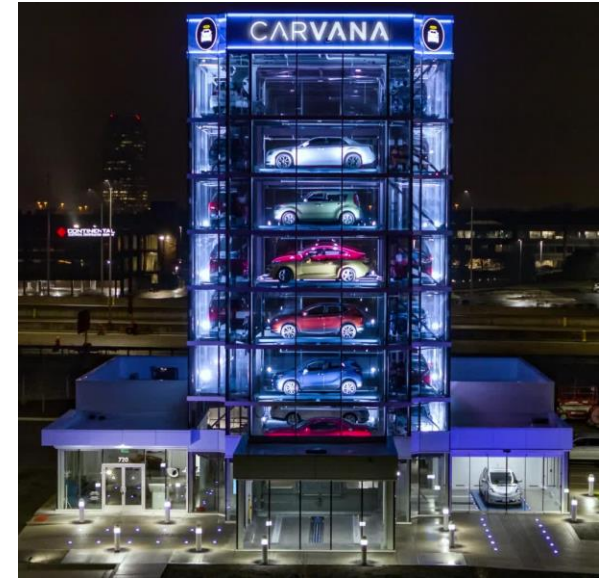
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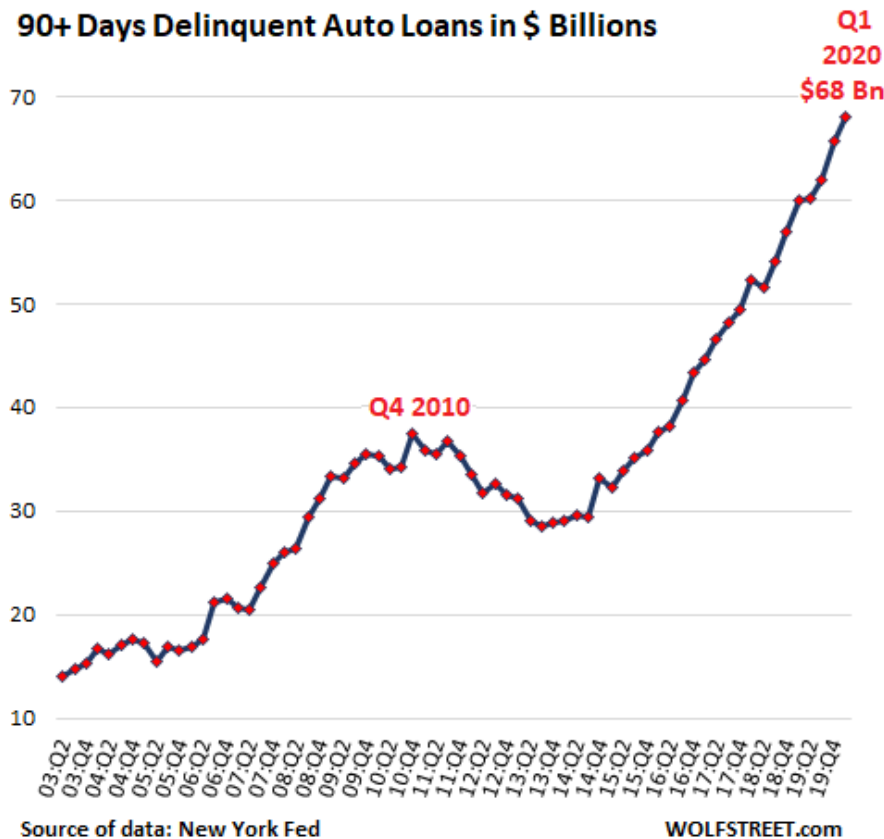
# The New Auto Loan Industry

- Platforms (websites, apps) that aggregate loans for indirect lending
  - Cars.com, CarMax, Carvana
- New car-leasing services (auto subscription services)



# Auto Loan Defaults = Repossessions

- Auto loan deficiencies hit an all-time high in 2018. Seven million Americans were 90 or more days behind on their auto loan payments.



- In 2017, a total of 1.7 million motor vehicle were repossessed, more vehicles per year than during the Great Recession.

# Repossession and Auto Loans

## TWO KEY ASPECTS

- Of most people's major purchases, besides homes, cars are the only other secured consumer credit that people use.
- Unlike home loans, there are essentially no laws that give consumers any right to stop or slow down auto repossessions.



# Remote Repossession

## GPS STARTER INTERRUPTER DEVICES



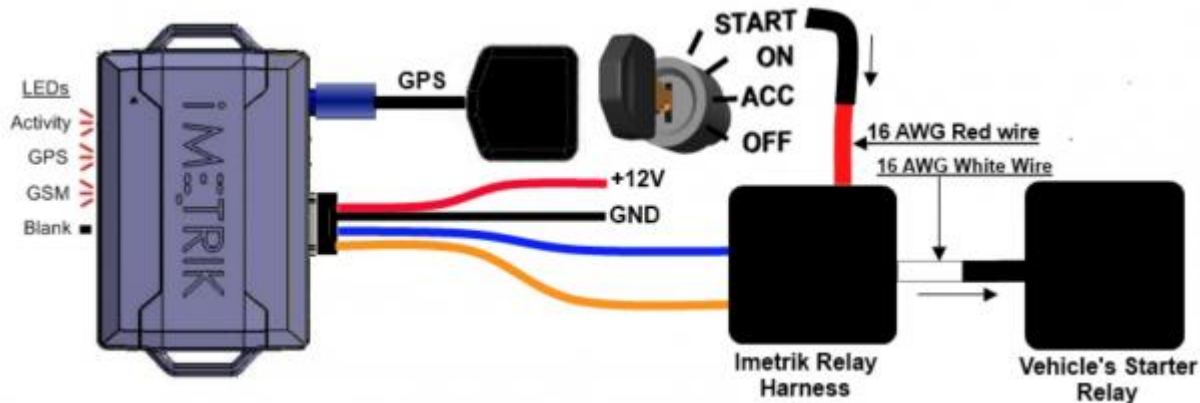
ACTION NEWS JAX INVESTIGATES

**DEALERS USING CAR REPO TECHNOLOGY**  
DEVICES CAN GPS TRACK DRIVERS & DISABLE ENGINES

**CBS 47**

ACTION NEWS JAX

5:47 | 84°





# Filing Bankruptcy to Keep Cars

- Chapter 7: keep car by specifying so on Statement of Intention: (1) surrender, (2) redeem, (3) reaffirmation agreement, (4) ride through
- Chapter 13: keep car via 3- to 5-year repayment plan that pays off secured debt
  - Broader discharge of debts (incl. parking tickets)
- Both chapters come with automatic stay
  - Recent case: *City of Chicago, Illinois v. Fulton*, 19-357 (2021)



# What's Next? Market Interventions

- Look to protections afforded people as to other consumer credit products
  - Ability to pay, disclosures, limit fees and charges, rescission under certain conditions
- De-couple auto sales from auto loans
  - See Adam J. Levitin, [\*The Fast and the Usurious: Putting the Brakes on Auto Lending Abuses\*](#), 108 Geo. L.J. 1257-1330 (2020)
- Public intervention
  - Public-backed loans / direct subsidies
  - Reform transportation

**Questions?**